

Message Text

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1549

AMEMBASSY OTTAWA

C O N F I D E N T I A L CARACAS 9006

E.O. 11652: GDS

TAGS: ENRG VE CA

SUBJ: CANADIAN-VENEZUELAN OIL TALKS

REF: (A) OTTAWA 2494 (B) CARACAS 8815

1. I CALLED THIS MORNING ON CANADIAN AMBASSADOR VAN TIGHEM TO INQUIRE WHAT BACKGROUND HE MIGHT POSSIBLY GIVE ME CONCERNING THE RECENT DISCUSSIONS IN CARACAS BETWEEN THE CANADIAN MINISTER OF ENERGY, MINES AND RESOURCES MACDONALD AND THE VENEZUELAN MINISTER OF MINES AND HYDROCARBONS.

2. AMBASSADOR VAN TIGHEM SAID THAT ONLY TWO WEEKS AGO THE FEDERAL GOVERNMENT HAD MADE AN ABRUPT DECISION ON A NEW CANADIAN OIL POLICY. THIS WAS TO CONSTRUCT A PIPELINE TO MONTREAL AND THUS, TO A CONSIDERABLE EXTENT, MODIFY THE HISTORIC PATTERN OF BRINGING WESTERN CANADIAN CRUDE ONLY AS FAR AS TORONTO, AND TO SUPPLY THE EASTERN PROVINCES OF CANADA WITH IMPORTED PETROLEUM FROM VENEZUELA AND THE MIDDLE EAST. IT WAS THE PURPOSE
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OF MACDONALD TO EXPLAIN THIS NEW POLICY TO THE VENEZUELAN.

AT THE SAME TIME, HOWEVER, HE GAVE ASSURANCES THAT CANADA WOULD CONTINUE TO BE A MAJOR IMPORTER OF VENEZUELAN CRUDE. HE SAID THE CANADIAN OIL INDUSTRY FOUND VENEZUELAN PETROLEUM MADE A BETTER "MIX" WITH THE LIGHTER WESTERN CANADIAN OILS, AND, FOR THIS REASON, CANADA WOULD CONTINUE TO LOOK TO VENEZUELA AS A MAJOR SOURCE OF SUPPLY, NOTWITHSTANDING THE FACT THAT THE GOVERNMENT HAD DECIDED TO EXTEND THE PIPELINE AS FAR AS MONTREAL.

3. PEREZ LA SALVIA, EVIDENTLY LOOKING TOWARD EARLIER REVERSION OF THE OIL CONCESSIONS, INSISTED VERY STRONGLY THAT THE GOV WOULD PREFER TO DEAL WITH A CANADIAN GOVERNMENT OIL COMPANY RATHER THAN WITH PRIVATE PETROLEUM COMPANIES. APPARENTLY, HE HAD IN MIND WHAT MINISTER MACDONALD ANNOUNCED TO THE PRESS IN CARACAS, NAMELY, THAT FINAL DECISION ON WHERE PETROLEUM FROM VENEZUELA WENT WAS IN THE HANDS OF THE OIL COMPANIES RATHER THAN GOVERNMENTS.

4. MY CANADIAN COLLEAGUE SAID PEREZ LA SALVIA LIKEWISE LAID HEAVY STRESS ON FUTURE CANADIAN-VENEZUELAN PETROLEUM RELATIONS, LOOKING TOWARD VENEZUELAN PARTICIPATION DOWNSTREAM AS FAR AS THE GAS PUMP. IN THE WORDS OF THE CANADIAN AMBASSADOR, "HE MADE A QUANTUM JUMP INTO THE FUTURE." TO PEREZ LA SALVIA'S SUGGESTION, MINISTER MACDONALD CONFINED HIS REPLY TO STATING THAT IF AND WHEN VENEZUELA FOUND THE MONEY AND ASSETS NECESSARY FOR SUCH A DOWNSTREAM OPERATION, CANADA WOULD BE WILLING TO LOOK AT THE SITUATION AND TALK THINGS OVER.

5. MY GENERAL IMPRESSION IS THAT FOR THE IMMEDIATE FUTURE THERE WILL BE NO PARTICULAR CHANGE IN VENEZUELA'S RELATIONSHIP TO CANADA AS ONE OF ITS PRINCIPAL SUPPLIERS. IN FACT, WITH CURRENT SITUATION IN THE MIDDLE EAST, CANADA SHOULD PROBABLY CONTINUE AT ABOUT THE SAME RANGE OF IMPORTATION FROM VENEZUELA. IN FUTURE, HOWEVER, WITH CONSTRUCTION OF PIPELINE TO MONTREAL, THERE MAY BE SOME DIVERSION OF CANADIAN PETROLEUM NOW EXPOORTED TO THE CHICAGO AREA AND, THERE-
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